

UNITED STATES DISTRICT COURT
DISTRICT OF NEVADA

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BANK OF AMERICA, N.A.,

Case No. 2:16-CV-386 JCM (NJK)

Plaintiff(s),

ORDER

**LOG CABIN PONDEROSA HOMEOWNERS
ASSOCIATION, et al.,**

Defendant(s).

Presently before the court is counterclaimant TRP Fund V, LLC’s (“TRP”) motion for summary judgment. (ECF No. 54). Defendant Log Cabin Ponderosa Homeowners Association (the “HOA”) (ECF No. 60) and plaintiff/counterdefendant Bank of America, N.A., successor by merger to BAC Home Loans Servicing, LP f/k/a Countrywide Home Loans Servicing, LP (“BANA”) (ECF No. 65) filed responses, to which TRP replied (ECF No. 68).

Also before the court is BANA's motion for summary judgment. (ECF No. 57). The HOA (ECF No. 61) and TRP (ECF No. 66) filed responses, to which BANA replied (ECF No. 67).

I. Facts

This case involves a dispute over real property located at 10342 Hanky Panky Street, Las Vegas, Nevada 89131 (the “property”). On July 21, 2009, Christopher and Jennifer Glover obtained a loan from DHI Mortgage Company, Ltd in the amount of \$406,978.00 to purchase the property, which was secured by a deed of trust recorded on July 24, 2009. (ECF No. 1 at 4).

The deed of trust was assigned to BANA via an assignment of deed of trust recorded on March 6, 2012. (ECF No. 1 at 4).

1 On August 29, 2013, defendant Nevada Association Services, Inc. (“NAS”), acting on
2 behalf of the HOA, recorded a notice of delinquent assessment lien, stating an amount due of
3 \$1,757.62. (ECF No. 1 at 4). On October 11, 2013, NAS recorded a notice of default and election
4 to sell to satisfy the delinquent assessment lien, stating an amount due of \$2,689.28. (ECF No. 1
5 at 4).

6 On November 13, 2013, BANA requested a ledger from the HOA/NAS identifying the
7 superpriority amount allegedly owed to the HOA. (ECF No. 1 at 5). NAS provided a ledger dated
8 March 1, 2014, identifying the total amount allegedly owed. (ECF No. 1 at 5). BANA calculated
9 the superpriority amount to be \$522.00 and tendered that amount to NAS on March 13, 2014,
10 which NAS allegedly refused. (ECF No. 1 at 6).

11 On July 25, 2014, NAS recorded a notice of trustee’s sale, stating an amount due of
12 \$3,863.46. (ECF No. 1 at 5). On August 22, 2014, defendant MRT Assets, LLC (“MRT”)
13 purchased the property at the foreclosure sale for \$62,000.00. (ECF No. 1 at 6). A trustee’s deed
14 upon sale in favor of MRT was recorded on August 25, 2014. (ECF No. 1 at 6).

15 Thereafter, MRT conveyed its interest in the property to TRP via a quitclaim deed recorded
16 February 23, 2015. (ECF No. 1 at 6). Thus, TRP is the current record owner of the property.

17 On February 25, 2016, BANA filed the underlying complaint, alleging four causes of
18 action: (1) quiet title/declaratory judgment against all defendants; (2) breach of NRS 116.1113
19 against NAS and the HOA; (3) wrongful foreclosure against NAS and the HOA; and (4) injunctive
20 relief against TRP. (ECF No. 1). On March 2, 2016, TRP filed an answer, counterclaim and third-
21 party complaint to quiet title. (ECF No. 6).

22 In the instant motions, TRP and BANA move for summary judgment. (ECF Nos. 54, 57).
23 The court will address each as it sees fit.

24 **II. Legal Standard**

25 The Federal Rules of Civil Procedure allow summary judgment when the pleadings,
26 depositions, answers to interrogatories, and admissions on file, together with the affidavits, if any,
27 show that “there is no genuine dispute as to any material fact and the movant is entitled to a
28 judgment as a matter of law.” Fed. R. Civ. P. 56(a). A principal purpose of summary judgment is

1 “to isolate and dispose of factually unsupported claims.” *Celotex Corp. v. Catrett*, 477 U.S. 317,
2 323–24 (1986).

3 For purposes of summary judgment, disputed factual issues should be construed in favor
4 of the non-moving party. *Lujan v. Nat'l Wildlife Fed.*, 497 U.S. 871, 888 (1990). However, to be
5 entitled to a denial of summary judgment, the nonmoving party must “set forth specific facts
6 showing that there is a genuine issue for trial.” *Id.*

7 In determining summary judgment, a court applies a burden-shifting analysis. The moving
8 party must first satisfy its initial burden. “When the party moving for summary judgment would
9 bear the burden of proof at trial, it must come forward with evidence which would entitle it to a
10 directed verdict if the evidence went uncontested at trial. In such a case, the moving party has
11 the initial burden of establishing the absence of a genuine issue of fact on each issue material to
12 its case.” *C.A.R. Transp. Brokerage Co. v. Darden Rests., Inc.*, 213 F.3d 474, 480 (9th Cir. 2000)
13 (citations omitted).

14 By contrast, when the nonmoving party bears the burden of proving the claim or defense,
15 the moving party can meet its burden in two ways: (1) by presenting evidence to negate an essential
16 element of the non-moving party’s case; or (2) by demonstrating that the nonmoving party failed
17 to make a showing sufficient to establish an element essential to that party’s case on which that
18 party will bear the burden of proof at trial. *See Celotex Corp.*, 477 U.S. at 323–24. If the moving
19 party fails to meet its initial burden, summary judgment must be denied and the court need not
20 consider the nonmoving party’s evidence. *See Adickes v. S.H. Kress & Co.*, 398 U.S. 144, 159–
21 60 (1970).

22 If the moving party satisfies its initial burden, the burden then shifts to the opposing party
23 to establish that a genuine issue of material fact exists. *See Matsushita Elec. Indus. Co. v. Zenith*
24 *Radio Corp.*, 475 U.S. 574, 586 (1986). To establish the existence of a factual dispute, the
25 opposing party need not establish a material issue of fact conclusively in its favor. It is sufficient
26 that “the claimed factual dispute be shown to require a jury or judge to resolve the parties’ differing
27 versions of the truth at trial.” *T.W. Elec. Serv., Inc. v. Pac. Elec. Contractors Ass’n*, 809 F.2d 626,
28 631 (9th Cir. 1987).

1 In other words, the nonmoving party cannot avoid summary judgment by relying solely on
2 conclusory allegations that are unsupported by factual data. *See Taylor v. List*, 880 F.2d 1040,
3 1045 (9th Cir. 1989). Instead, the opposition must go beyond the assertions and allegations of the
4 pleadings and set forth specific facts by producing competent evidence that shows a genuine issue
5 for trial. *See Celotex*, 477 U.S. at 324.

6 At summary judgment, a court’s function is not to weigh the evidence and determine the
7 truth, but to determine whether there is a genuine issue for trial. *See Anderson v. Liberty Lobby,*
8 *Inc.*, 477 U.S. 242, 249 (1986). The evidence of the nonmovant is “to be believed, and all
9 justifiable inferences are to be drawn in his favor.” *Id.* at 255. But if the evidence of the
10 nonmoving party is merely colorable or is not significantly probative, summary judgment may be
11 granted. *See id.* at 249–50.

12 **III. Discussion**

13 As an initial matter, the court dismisses, without prejudice, counts (2) through (4) of
14 BANA’s complaint. Counts (2) and (3) are dismissed without prejudice for failure to mediate
15 pursuant to NRS 38.330. *See, e.g.*, Nev. Rev. Stat. § 38.330(1); *McKnight Family, L.L.P. v. Adept*
16 *Mgmt.*, 310 P.3d 555 (Nev. 2013). Count (4) is dismissed without prejudice because the court
17 follows the well-settled rule in that a claim for “injunctive relief” standing alone is not a cause of
18 action. *See, e.g.*, *In re Wal-Mart Wage & Hour Emp’t Practices Litig.*, 490 F. Supp. 2d 1091,
19 1130 (D. Nev. 2007); *Tillman v. Quality Loan Serv. Corp.*, No. 2:12-CV-346 JCM RJJ, 2012 WL
20 1279939, at *3 (D. Nev. Apr. 13, 2012) (finding that “injunctive relief is a remedy, not an
21 independent cause of action”); *Jensen v. Quality Loan Serv. Corp.*, 702 F. Supp. 2d 1183, 1201
22 (E.D. Cal. 2010) (“A request for injunctive relief by itself does not state a cause of action.”).

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1 **A. Motions for Summary Judgment¹**

2 Under Nevada law, “[a]n action may be brought by any person against another who claims
3 an estate or interest in real property, adverse to the person bringing the action for the purpose of
4 determining such adverse claim.” Nev. Rev. Stat. § 40.010. “A plea to quiet title does not require
5 any particular elements, but each party must plead and prove his or her own claim to the property
6 in question and a plaintiff’s right to relief therefore depends on superiority of title.” *Chapman v.*
7 *Deutsche Bank Nat’l Trust Co.*, 302 P.3d 1103, 1106 (Nev. 2013) (citations and internal quotation
8 marks omitted). Therefore, for plaintiff to succeed on its quiet title action, it needs to show that
9 its claim to the property is superior to all others. *See also Breliant v. Preferred Equities Corp.*,
10 918 P.2d 314, 318 (Nev. 1996) (“In a quiet title action, the burden of proof rests with the plaintiff
11 to prove good title in himself.”).

12 **1. Deed Recitals²**

13 Section 116.3116(1) of the Nevada Revised Statutes gives an HOA a lien on its
14 homeowners’ residences for unpaid assessments and fines; moreover, NRS 116.3116(2) gives
15 priority to that HOA lien over all other liens and encumbrances with limited exceptions—such as
16 “[a] first security interest on the unit recorded before the date on which the assessment sought to
17 be enforced became delinquent.” Nev. Rev. Stat. § 116.3116(2)(b).

18 The statute then carves out a partial exception to subparagraph (2)(b)’s exception for first
19 security interests. *See* Nev. Rev. Stat. § 116.3116(2). In *SFR Investment Pool 1 v. U.S. Bank*, the
20 Nevada Supreme Court provided the following explanation:

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22
23 ¹ The court takes judicial notice of the following recorded documents: first deed of trust
24 (ECF No. 54, exh. 2); notice of delinquent assessment (ECF No. 54, exh. 4); notice of default and
25 election to sell (ECF No. 54, exh. 5); notice of trustee’s sale (ECF No. 54, exh. 7); trustee’s deed
26 upon sale (ECF No. 54, exh. 11); assignment of deed of trust (ECF No. 54, exh. 3); and quitclaim
27 deed (ECF No. 54, exh. 12). *See, e.g., United States v. Corinthian Colls.*, 655 F.3d 984, 998–99
28 (9th Cir. 2011) (holding that a court may take judicial notice of public records if the facts noticed
 are not subject to reasonable dispute); *Intri-Plex Tech., Inv. v. Crest Grp., Inc.*, 499 F.3d 1048,
 1052 (9th Cir. 2007).

29 ² The 2015 Legislature revised Chapter 116 substantially. 2015 Nev. Stat., ch. 266. Except
 where otherwise indicated, the references in this order to statutes codified in NRS Chapter 116 are
 to the version of the statutes in effect in 2013–14, when the events giving rise to this litigation
 occurred.

1 As to first deeds of trust, NRS 116.3116(2) thus splits an HOA lien into two pieces,
2 a superpriority piece and a subpriority piece. The superpriority piece, consisting of
3 the last nine months of unpaid HOA dues and maintenance and nuisance-abatement
charges, is “prior to” a first deed of trust. The subpriority piece, consisting of all
other HOA fees or assessments, is subordinate to a first deed of trust.

4 334 P.3d 408, 411 (Nev. 2014) (“*SFR Investments*”).

5 Chapter 116 of the Nevada Revised Statutes permits an HOA to enforce its superpriority
6 lien by nonjudicial foreclosure sale. *Id.* at 415. Thus, “NRS 116.3116(2) provides an HOA a true
7 superpriority lien, proper foreclosure of which will extinguish a first deed of trust.” *Id.* at 419; *see also* Nev. Rev. Stat. § 116.31162(1) (providing that “the association may foreclose its lien by sale”
8 upon compliance with the statutory notice and timing rules).

9 Subsection (1) of NRS 116.31166 provides that the recitals in a deed made pursuant to
10 NRS 116.31164 of the following are conclusive proof of the matters recited:

- 11 (a) Default, the mailing of the notice of delinquent assessment, and the recording
12 of the notice of default and election to sell;
13 (b) The elapsing of the 90 days; and
14 (c) The giving of notice of sale[.]

15 Nev. Rev. Stat. § 116.31166(1)(a)–(c).³ “The ‘conclusive’ recitals concern default, notice, and
16 publication of the [notice of sale], all statutory prerequisites to a valid HOA lien foreclosure sale
17 as stated in NRS 116.31162 through NRS 116.31164, the sections that immediately precede and
18 give context to NRS 116.31166.” *Shadow Wood Homeowners Assoc. v. N.Y. Cmty. Bancorp., Inc.*,
19 366 P.3d 1105 (Nev. 2016) (“*Shadow Wood*”). Nevertheless, courts retain the equitable authority

20 ³ The statute further provides as follows:
21

22 2. Such a deed containing those recitals is conclusive against the unit's
23 former owner, his or her heirs and assigns, and all other persons. The receipt for the
24 purchase money contained in such a deed is sufficient to discharge the purchaser
from obligation to see to the proper application of the purchase money.

25 3. The sale of a unit pursuant to NRS 116.31162, 116.31163 and 116.31164
26 vests in the purchaser the title of the unit's owner without equity or right of
27 redemption.

28 Nev. Rev. Stat. § 116.31166(2)–(3).

1 to consider quiet title actions when a HOA’s foreclosure deed contains statutorily conclusive
2 recitals. *See id.* at 1112.

3 Here, TRP has provided the recorded trustee’s deed upon sale, the recorded notice of
4 delinquent assessment, the recorded notice of default and election to sell, and the recorded notice
5 of trustee’s sale. (ECF No. 54). Pursuant to NRS 116.31166, these recitals in the recorded
6 foreclosure deed are conclusive to the extent that they implicate compliance with NRS 116.31162
7 through NRS 116.31164, which provide the statutory prerequisites of a valid foreclosure. *See id.*
8 at 1112 (“[T]he recitals made conclusive by operation of NRS 116.31166 implicate compliance
9 only with the statutory prerequisites to foreclosure.”). Therefore, pursuant to NRS 116.31166 and
10 the recorded foreclosure deed, the foreclosure sale is valid to the extent that it complied with NRS
11 116.31162 through NRS 116.31164.

12 Importantly, while NRS 116.3116 accords certain deed recitals conclusive effect—*e.g.*,
13 default, notice, and publication of the notice of sale—it does not conclusively, as a matter of law,
14 entitle TRP to success on its quiet title claim. *See Shadow Wood*, 366 P.3d at 1112 (rejecting
15 contention that NRS 116.31166 defeats, as a matter of law, actions to quiet title). Thus, the
16 question remains whether BANA has demonstrated sufficient grounds to justify setting aside the
17 foreclosure sale. *See id.* “When sitting in equity . . . courts must consider the entirety of the
18 circumstances that bear upon the equities. This includes considering the status and actions of all
19 parties involved, including whether an innocent party may be harmed by granting the desired
20 relief.” *Id.*

21 **I. Rejected Tender**

22 BANA argues that its tender of the superpriority amount extinguished the HOA’s
23 superpriority lien prior to the foreclosure sale. (ECF No. 57 at 6–9). BANA thus maintains that
24 TRP took title to the property subject to BANA’s deed of trust. (ECF No. 57 at 6–9).

25 The court disagrees. BANA did not tender the amount sent forth in the notice of default
26 or ledger dated March 1, 2014. Rather, BANA tendered a lesser amount, the amount it calculated
27 to be sufficient.

28

1 Under NRS 116.31166(1), the holder of a first deed of trust may pay off the superpriority
2 portion of an HOA lien to prevent the foreclosure sale from extinguishing that security interest.
3 *See Nev. Rev. Stat. § 116.31166(1); see also SFR Investments*, 334 P.3d at 414 (“But as a junior
4 lienholder, U.S. Bank could have paid off the SHHOA lien to avert loss of its security”); *see*
5 *also, e.g., 7912 Limbwood Ct. Trust v. Wells Fargo Bank, N.A., et al.*, 979 F. Supp. 2d 1142, 1149
6 (D. Nev. 2013) (“If junior lienholders want to avoid this result, they readily can preserve their
7 security interests by buying out the senior lienholder’s interest.” (citing *Carillo v. Valley Bank of*
8 *Nev.*, 734 P.2d 724, 725 (Nev. 1987); *Keever v. Nicholas Beers Co.*, 611 P.2d 1079, 1083 (Nev.
9 1980))).

10 The superpriority lien portion, however, consists of “the last nine months of unpaid HOA
11 dues ***and maintenance and nuisance-abatement charges***,” while the subpriority piece consists of
12 “all other HOA fees or assessments.” *SFR Investments*, 334 P.3d at 411 (emphasis added); *see*
13 *also 7912 Limbwood Ct. Trust*, 979 F. Supp. 2d at 1150 (“The superpriority lien consists only of
14 unpaid assessments and certain charges specifically identified in § 116.31162.”).

15 BANA merely presumed, without adequate support, that the amount set forth in the notice
16 of default included more than the superpriority lien portion and that a lesser amount based on
17 BANA’s own calculations would be sufficient to preserve its interest in the property. *See*
18 *generally, e.g., Nev. Rev. Stat. § 107.080* (allowing trustee’s sale under a deed of trust only when
19 a subordinate interest has failed to make good the deficiency in performance or payment for 35
20 days); *Nev. Rev. Stat. § 40.430* (barring judicially ordered foreclosure sale if the deficiency is
21 made good at least 5 days prior to sale).

22 The notice of default recorded October 11, 2013, set forth an amount due of \$2,689.28.
23 (*ECF No. 1 at 4*). Rather than tendering the \$2,689.28 due so as to preserve its interest in the
24 property and then later seeking a refund of any difference, BANA elected to pay a lesser amount
25 (\$522.00) based on its unwarranted assumption that the amount stated in the notice included more
26 than what was due. *See SFR Investments*, 334 P.3d at 418 (noting that the deed of trust holder can
27 pay the entire lien amount and then sue for a refund). Had BANA paid the amount set forth in the
28

1 notice of default (\$2,689.28), the HOA’s interest would have been subordinate to the first deed of
2 trust. *See* Nev. Rev. Stat. § 116.31166(1).

3 After failing to use the legal remedies available to BANA to prevent the property from
4 being sold to a third party—for example, seeking a temporary restraining order and preliminary
5 injunction and filling a *lis pendens* on the property (*see* Nev. Rev. Stat. §§ 14.010, 40.060)—
6 BANA now seeks to profit from its own failure to follow the rules set forth in the statutes. *See*
7 generally, e.g., *Barkley’s Appeal. Bentley’s Estate*, 2 Monag. 274, 277 (Pa. 1888) (“In the case
8 before us, we can see no way of giving the petitioner the equitable relief she asks without doing
9 great injustice to other innocent parties who would not have been in a position to be injured by
10 such a decree as she asks if she had applied for relief at an earlier day.”); *Nussbaumer v. Superior*
11 *Court in & for Yuma Cty.*, 489 P.2d 843, 846 (Ariz. 1971) (“Where the complaining party has
12 access to all the facts surrounding the questioned transaction and merely makes a mistake as to the
13 legal consequences of his act, equity should normally not interfere, especially where the rights of
14 third parties might be prejudiced thereby.”).

15 In presuming that an “offer” to pay constitutes a “tender” of payment, BANA cites to *Stone*
16 *Hollow Ave. Trust v. Bank of Am., Nat’l Ass’n*, 382 P.3d 911 (Nev. 2016), for the proposition that
17 an offer to pay the superpriority amount prior to the foreclosure sale preserves the lender’s deed
18 of trust. (ECF No. 57 at 6–10).

19 The *Stone Hollow* court, however, made no such holding. To the contrary, the *Stone*
20 *Hollow* court held that “[w]hen rejection of a tender is unjustified, the tender is effective to
21 discharge the lien.” 382 P.3d at 911. BANA have not set forth any evidence as to a tender in a
22 sufficient amount.

23 Based on the foregoing, BANA has failed to sufficiently establish that it tendered a
24 sufficient amount prior to the foreclosure sale so as to render TRP’s title subject to BANA’s deed
25 of trust.

26 **2. Due Process**

27 BANA argues that the HOA lien statute is facially unconstitutional because it does not
28 mandate notice to deed of trust beneficiaries. (ECF No. 57 at 10–13). BANA further contends

1 that any factual issues concerning actual notice is irrelevant pursuant to *Bourne Valley Court Trust*
2 v. *Wells Fargo Bank, N.A.*, 832 F.3d 1154 (9th Cir. 2016) (“*Bourne Valley*”). (ECF No. 57 at 10–
3 13).

4 The Ninth Circuit held that NRS 116.3116’s “opt-in” notice scheme, which required a
5 HOA to alert a mortgage lender that it intended to foreclose only if the lender had affirmatively
6 requested notice, facially violated mortgage lenders’ constitutional due process rights. *Bourne*
7 *Valley*, 832 F.3d at 1157–58. The facially unconstitutional provision, as identified in *Bourne*
8 *Valley*, exists in NRS 116.31163(2). *See id.* at 1158. At issue is the “opt-in” provision that
9 unconstitutionally shifts the notice burden to holders of the property interest at risk. *See id.*

10 To state a procedural due process claim, a claimant must allege “(1) a deprivation of a
11 constitutionally protected liberty or property interest, and (2) a denial of adequate procedural
12 protections.” *Brewster v. Bd. of Educ. of Lynwood Unified Sch. Dist.*, 149 F.3d 971, 982 (9th Cir.
13 1998). BANA has satisfied the first element as a deed of trust is a property interest under Nevada
14 law. *See Nev. Rev. Stat. § 107.020 et seq.; see also Mennonite Bd. of Missions v. Adams*, 462 U.S.
15 791, 798 (1983) (stating that “a mortgagee possesses a substantial property interest that is
16 significantly affected by a tax sale”). However, BANA fails on the second prong.

17 Due process does not require actual notice. *Jones v. Flowers*, 547 U.S. 220, 226 (2006).
18 Rather, it requires notice “reasonably calculated, under all the circumstances, to apprise interested
19 parties of the pendency of the action and afford them an opportunity to present their objections.”
20 *Mullane v. Central Hanover Bank & Trust Co.*, 339 U.S. 306, 314 (1950); *see also Bourne Valley*,
21 832 F.3d at 1158.

22 Here, adequate notice was given to the interested parties prior to extinguishing a property
23 right. TRP has provided proof of mailing for the notice of default and the notice of foreclosure
24 sale to BANA and other interested parties. (ECF No. 54, exhs. 6, 8). As a result, the notice of
25 trustee’s sale was sufficient notice to cure any constitutional defect inherent in NRS 116.31163(2)
26 as it put BANA on notice that its interest was subject to pendency of action and offered all of the
27 required information.

28 . . .

1 3. *Commercial Reasonability*

2 BANA contends that judgment in its favor is appropriate because the sale of the property
3 for 14% of its fair market value is grossly inadequate as a matter of law. (ECF No. 57 at 13).
4 BANA further argues that the *Shadow Wood* court adopted the restatement approach, quoting the
5 opinion as holding that “[w]hile gross inadequacy cannot be precisely defined in terms of a specific
6 percentage of fair market value, generally a court is warranted in invalidating a sale where the
7 price is less than 20 percent of fair market value.” (ECF No. 57 at 14) (emphasis omitted).

8 NRS 116.3116 codifies the Uniform Common Interest Ownership Act (“UCIOA”) in
9 Nevada. *See* Nev. Rev. Stat. § 116.001 (“This chapter may be cited as the Uniform Common-
10 Interest Ownership Act”); *see also SFR Investments*, 334 P.3d at 410. Numerous courts have
11 interpreted the UCIOA and NRS 116.3116 as imposing a commercial reasonableness standard on
12 foreclosure of association liens.⁴

13 In *Shadow Wood*, the Nevada Supreme Court held that an HOA’s foreclosure sale may be
14 set aside under a court’s equitable powers notwithstanding any recitals on the foreclosure deed
15 where there is a “grossly inadequate” sales price and “fraud, unfairness, or oppression.” 366 P.3d
16 at 1110; *see also Nationstar Mortg., LLC v. SFR Invs. Pool 1, LLC*, 184 F. Supp. 3d 853, 857–58
17 (D. Nev. 2016). In other words, “demonstrating that an association sold a property at its
18 foreclosure sale for an inadequate price is not enough to set aside that sale; there must also be a
19 showing of fraud, unfairness, or oppression.” *Id.* at 1112; *see also Long v. Towne*, 639 P.2d 528,
20 530 (Nev. 1982) (“Mere inadequacy of price is not sufficient to justify setting aside a foreclosure
21 sale, absent a showing of fraud, unfairness or oppression.”) (citing *Golden v. Tomiyasu*, 387 P.2d

22 ⁴ *See, e.g., Bayview Loan Servicing, LLC v. Alessi & Koenig, LLC*, 962 F. Supp. 2d 1222, 1229
23 (D. Nev. 2013) (“[T]he sale for \$10,000 of a Property that was worth \$176,000 in 2004, and which
24 was probably worth somewhat more than half as much when sold at the foreclosure sale, raises
serious doubts as to commercial reasonableness.”); *SFR Investments*, 334 P.3d at 418 n.6 (noting
bank’s argument that purchase at association foreclosure sale was not commercially reasonable);
Thunder Props., Inc. v. Wood, No. 3:14-cv-00068-RCJ-WGC, 2014 WL 6608836, at *2 (D. Nev.
Nov. 19, 2014) (concluding that purchase price of “less than 2% of the amounts of the deed of
trust” established commercial unreasonableness “almost conclusively”); *Rainbow Bend*
Homeowners Ass’n v. Wilder, No. 3:13-cv-00007-RCJ-VPC, 2014 WL 132439, at *2 (D. Nev.
Jan. 10, 2014) (deciding case on other grounds but noting that “the purchase of a residential
property free and clear of all encumbrances for the price of delinquent HOA dues would raise
grave doubts as to the commercial reasonableness of the sale under Nevada law”); *Will v. Mill*
Condo. Owners’ Ass’n, 848 A.2d 336, 340 (Vt. 2004) (discussing commercial reasonableness
standard and concluding that “the UCIOA does provide for this additional layer of protection”).

1 989, 995 (Nev. 1963) (stating that, while a power-of-sale foreclosure may not be set aside for mere
2 inadequacy of price, it may be if the price is grossly inadequate and there is “in addition proof of
3 some element of fraud, unfairness, or oppression as accounts for and brings about the inadequacy
4 of price” (internal quotation omitted))).

5 Despite BANA’s assertion to the contrary, the *Shadow Wood* court did not adopt the
6 restatement. In fact, nothing in *Shadow Wood* suggests that the Nevada Supreme Court’s adopted,
7 or had the intention to adopt, the restatement. *Compare Shadow Wood*, 366 P.3d at 1112–13 (citing
8 the restatement as secondary authority to warrant use of the 20% threshold test for grossly
9 inadequate sales price), *with St. James Village, Inc. v. Cunningham*, 210 P.3d 190, 213 (Nev. 2009)
10 (explicitly adopting § 4.8 of the Restatement in specific circumstances); *Foster v. Costco*
11 *Wholesale Corp.*, 291 P.3d 150, 153 (Nev. 2012) (“[W]e adopt the rule set forth in the Restatement
12 (Third) of Torts: Physical and Emotional Harm section 51.”); *Cucinotta v. Deloitte & Touche,*
13 *LLP*, 302 P.3d 1099, 1102 (Nev. 2013) (affirmatively adopting the Restatement (Second) of Torts
14 section 592A). Because Nevada courts have not adopted the relevant section(s) of the restatement
15 at issue here, the *Long* test, which requires a showing of fraud, unfairness, or oppression in addition
16 to a grossly inadequate sale price to set aside a foreclosure sale, controls. *See* 639 P.2d at 530.

17 Nevada has not clearly defined what constitutes “unfairness” in determining commercial
18 reasonableness. The few Nevada cases that have discussed commercial reasonableness state,
19 “every aspect of the disposition, including the method, manner, time, place, and terms, must be
20 commercially reasonable.” *Levers v. Rio King Land & Inv. Co.*, 560 P.2d 917, 920 (Nev. 1977).
21 This includes “quality of the publicity, the price obtained at the auction, [and] the number of
22 bidders in attendance.” *Dennison v. Allen Grp. Leasing Corp.*, 871 P.2d 288, 291 (Nev. 1994)
23 (citing *Savage Constr. v. Challenge-Cook*, 714 P.2d 573, 574 (Nev. 1986)).

24 Nevertheless, BANA fails to set forth sufficient evidence to show fraud, unfairness, or
25 oppression so as to justify the setting aside of the foreclosure sale. BANA relies on its repeated
26 assertion that BANA tendered the superpriority amount to show fraud, unfairness, or oppression.
27 However, as the discussed in the previous section, the amount due on the date of BANA’s tender
28 was set forth in the notice of default, specifically, \$2,689.28. Rather than tendering the noticed

1 amount under protest so as to preserve its interest and then later seeking a refund of the difference
2 in dispute, BANA chose not to tender a lesser amount (\$522.00), an amount it calculated to be the
3 superpriority portion.

4 **4. Retroactivity**

5 BANA contends that *SFR Investments* should not be applied retroactively to extinguish the
6 first deed of trust. (ECF No. 57 at 17–18).

7 The Nevada Supreme Court has since applied the *SFR Investments* holding in numerous
8 cases that challenged pre-*SFR Investments* foreclosure sales. *See, e.g., Centeno v. Mortg. Elec.*
9 *Registration Sys., Inc.*, No. 64998, 2016 WL 3486378, at *2 (Nev. June 23, 2016); *LN Mgmt. LLC*
10 *Series 8301 Boseck 228 v. Wells Fargo Bank, N.A.*, No. 64495, 2016 WL 1109295, at *1 (Nev.
11 Mar. 18, 2016) (reversing 2013 dismissal of quiet-title action that concluded contrary to *SFR*
12 *Investments*, reasoning that “the district court’s decision was based on an erroneous interpretation
13 of the controlling law”); *Mackensie Family, LLC v. Wells Fargo Bank, N.A.*, No. 65696, 2016 WL
14 315326, at *1 (Nev. Jan. 22, 2016) (reversing and remanding because “[t]he district court’s
15 conclusion of law contradicts our holding in *SFR Investments Pool 1 v. U.S. Bank*”). Thus, *SFR*
16 *Investments* applies to this case.

17 **5. Supremacy Clause**

18 BANA argues that the HOA lien statute cannot interfere with the federal mortgage
19 insurance program or extinguish mortgage interests insured by the FHA. (ECF No. 57 at 18–19).

20 The single-family mortgage insurance program allows FHA to insure private loans,
21 expanding the availability of mortgages to low-income individuals wishing to purchase homes.
22 *See Sec’y of Hous. & Urban Dev. v. Sky Meadow Ass’n*, 117 F. Supp. 2d 970, 980–81 (C.D. Cal.
23 2000) (discussing program); *W Wash. & Sandhill Homeowners Ass’n v. Bank of Am., N.A.*, No.
24 2:13-cv-01845-GMN-GWF, 2014 WL 4798565, at *1 n.2 (D. Nev. Sept. 25, 2014) (same). If a
25 borrower under this program defaults, the lender may foreclose on the property, convey title to
26 HUD, and submit an insurance claim. 24 C.F.R. § 203.355. HUD’s property disposition program
27 generates funds to finance the program. *See* 24 C.F.R. § 291.1.

28

1 Allowing an HOA foreclosure to wipe out a first deed of trust on a federally-insured
2 property thus interferes with the purposes of the FHA insurance program. Specifically, it hinders
3 HUD's ability to recoup funds from insured properties. As this court previously stated in
4 *Saticoy Bay LLC, Series 7342 Tanglewood Park v. SRMOF II 2012-1 Trust*, the court reads the
5 foregoing precedent to indicate that a homeowners' association foreclosure sale under NRS
6 116.3116 may not extinguish a federally-insured loan. No. 2:13-CV-1199 JCM (VCF), 2015 WL
7 1990076, at *4 (D. Nev. Apr. 30, 2015).

8 However, the instant case is distinguishable from these cases in that, here, FHA is not a
9 named party. Neither the complaint nor the counterclaim seeks to quiet title against FHA. Further,
10 TRP's quiet title claim does not seek declaratory relief against FHA, but only as to the parties in
11 the present action. Thus, this argument provides no support for BANA as the outcome of the
12 instant case has no bearing on FHA's ability to quiet title.

13 **IV. Conclusion**

14 In light of the aforementioned, the court finds that BANA has failed to raise a genuine
15 dispute so as to preclude summary judgment in favor of TRP on its quiet title claim. Nor has
16 BANA established that it is entitled to summary judgment in its favor. BANA did not tender the
17 amount provided in the notice of default or notice of foreclosure sale, as statute and the notices
18 themselves instructed, and did not meet its burden to show that no genuine issues of material fact
19 existed regarding the proper amount of the HOA's lien or constitutionally sufficient notice.

20 Accordingly,

21 IT IS HEREBY ORDERED, ADJUDGED, and DECREED that TRP's motion for
22 summary judgment (ECF No. 54) be, and the same hereby is, GRANTED consistent with the
23 foregoing

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28 ...

1 IT IS FURTHER ORDERED that BANA's motion for summary judgment (ECF No. 57)
2 be, and the same hereby is, DENIED.

3 The clerk shall enter judgment accordingly and close the case.

4 DATED April 18, 2017.

5 
6 UNITED STATES DISTRICT JUDGE

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